PD-ACG-995

CLUSA - ANGOLA

RURAL GROUP ENTERPRISES AND AGRICULTURAL MARKETING IN ANGOLA (RGE/AMOA)

Final Report
November 2001 - December 2005

Submitted to the
United States Agency for International Development
Cooperative Agreement 654-00-00065-00

March 31, 2006

CLUSA – *Cooperative League of the United States of America*
NCBA - *National Cooperative Business Association*

Table of Contents

I. Executive Summary.....3

II. Context in which the RGE/AMOA was implemented.....5

III. Goals, Purpose and Objectives.....6

IV. Funding.....7

V. Intervention Areas and Number of Clients Assisted.....8

VI. Intervention strategies and Approach.....11

VII. Program Achievements.....11

VIII. Constraints.....17

IX. Lessons Learned..... 17

I. Executive Summary

This final report documents relevant aspects of the implementation of the USAID-funded Rural Group Enterprises and Agricultural Marketing (RGE/AMOA) by the Cooperative League of the USA (CLUSA) doing business in the USA as the National Cooperative Business Association (NCBA). The program started officially on October 31, 2005, and ended on December 15, 2005. It summarizes achievements of the program, lists the constraints and, finally, presents lessons learned in terms of association development and market linkages in the post-war context of Angola.

The RGE/AMOA program was designed during last phase of the Angola long civil war that started after the Independence of the country in 1975 and ended on April 4, 2002, with the signing of a peace treaty between the Government of Republic of Angola, ruled by MPLA[1] and UNITA[2] . Despite overspread destruction of rural infrastructure and the displacement of small farmers from the war stricken production areas, an agricultural assessment was carried out by USAID in 2000/01 concluding that part of Huila and Namibe provinces, the coastal areas of Benguela, Kwanza Sul, Luanda/Bengo and Cabinda offered basic conditions of security, agricultural potentials and farmers experience to produce food crops for major towns of Lubango, Lobito, Benguela and Luanda. In response to the USAID RFA, CLUSA/NCBA conducted in July/August 2001 a visit of targeted provinces to collect information leading to the elaboration and submission of the RGE/AMOA project proposal, funded for 4 years, and targeting in Luanda/Bengo, Huíla, Benguela and Kwanza Sul the following clients:

- Small-scale producers already organized into farmer associations or interested in get organized in producer solidarity groups, farmer associations and/or cooperatives;
- Individual medium size farmers who produced traditional and high value crops but had difficulty accessing the market;
- Agribusinesses involved in buying, processing and distributing agricultural products and in supplying inputs among other goods and services required to improve production and productivity, as well as increase rural incomes.

The goal of the program was to increase food security and incomes of small-scale producers and their families by improving the effectiveness of agriculture production and marketing through the development of: a sustainable approach to rural group enterprises and agribusiness development adapted to the Angolan context; a network of democratic producer own and controlled enterprises at primary and secondary levels with knowledge and skills to identify, initiate and manage agricultural production, processing and marketing activities; a more diverse and wider range of marketing and business opportunities available to the small scale producers; and the transfer of appropriate progressive technologies to small producers and agribusinesses.

---

[1] MPLA: Popular Movement for the Liberation of Angola, the ruling party since the Independence in 1975:

[2] UNITA: National Union for the Total Independence of Angola that has conducted the guerrilla war against the ruling MPLA since the Independence until April 2002.

The implementation of the RGE/AMOA Program contributed to the achievement of agricultural development goals of both USAID and the Government of the Republic of Angola namely through the following activities and results:

- Provided training and technical assistance to more than 9,000 small and medium size farmers, organized into over 500 producer organizations that include producer solidarity groups and cooperative service centers engaged in production, post-harvest handling and marketing of agricultural products such as Irish potatoes, onions, tomatoes, cabbages, carrots, maize, beans and groundnuts;

- Established effective links between farmer solidarity groups and cooperative service centers and Angolan private banks in irrigated areas of Bengo, Huila and Gabela Kwanza Sul, as well as with agribusinesses based in Luanda, Lobito and Lubango that supplied means of production on short term credit and consignment contract arrangement;

- Promoted the creation and functioning of revolving loan funds in the North of Huila benefiting over 4,000 rural families with improved seeds and animals for traction, as well as the rehabilitation of irrigation facilities that contributed to the increases in food security and incomes;

- Trained over 30 Angolan specialists in cooperative development and market linkages among whom 10 Huila-based technicians created, in the middle of year 2005, an independent organization known as Agromarket that continued to provide small and medium size farmers in Huila similar services provided by CLUSA under the RGE/AMOA Program; Other trained specialists were absorbed by the Institute for Agrarian Development (IDA), Banco Sol and agribusiness companies;

- Contributed to the development of models of farmer solidarity groups linked to private banks, as well as cooperative service centers as inter-group organizations trained to establish contracts with banks, input suppliers and buyers of agricultural commodities involvement local traders and transporters in the production and marketing chain;

- Leveraged funds from other donors such as International Fund for Agricultural Development (IFAD), Dutch NGO NOVIB, BP Angola and European Union to diversify funding sources and ensure wider and long term assistance to development activities started with USAID funding;

- Created an effective system for collecting and disseminating market information through written bulletins and radio programs using air times of the Ministry of Agriculture and Rural Development (MINADER) at the Angolan National Radio whose specialists participated in gathering and processing information to be aired weekly.

Despite constraints related to the lack of adequate access roads linking major towns to production areas, high production and transaction cost of producing, processing and marketing, locally, high value crops, this program made a difference and has been cited by many governmental and non governmental institutions, both national and international, as examples of best practices in terms of linking producer organizations with private banks and agribusinesses. In addition, the majority of assisted farmer clients, namely those with access to irrigation facilities, learned the importance of staggering and diversifying crops as a means of minimizing risks of crop failure and prices fluctuation to increase their incomes in a long term basis.

In experimenting collective management of input stores by cooperative service centers and in kind credit involving producer solidarity groups, private banks and input suppliers, CLUSA advisers have learned lessons related to the limitations of collective management of input stores and in kind loans that need to be addressed so that future interventions can be more sustainable.

II. Context in which the RGE/AMOA was implemented:

The widespread destruction of rural economic and social infrastructure, as a result of the civil war, reduced substantially the capacity of Angolan farmers to produce staple food and market driven agricultural production as they used to do before the Independence giving Angola a leading position in Africa. For instance, Angola used to be among the first producers and exporters of coffee. However, due to almost continuous armed conflict from its Independence in 1975 through April 2002, Angola became a major importer of food products both through the international humanitarian assistance and by commercial importation of fresh fruits and vegetables, grains and processed food products channeled, mainly, to the Luanda market and a few other coastal towns.

As a result, the RGE/MOA was implemented in the war and post-war context characterized by fragmented markets that were unable to link to each other. Parts of the country with best production lands were inaccessible and regular farming activities were interrupted by active guerrilla warfare and land mines. Relatively secure areas like south of Huila and Namibe provinces could have production surpluses that, in many cases, were transportable only by air to Luanda and other parts of the Country like Cabinda oil fields and diamond-rich Lunda province.

It is under those conditions that USAID conducted an agricultural assessment to conclude that agricultural development activities could take place in selected areas of the Huila and Namibe, coastal areas of Benguela, Kwanza Sul, Luanda, Bengo and Cabinda. Consequently, a request for applications (RFA) was issued in the middle of 2001. In response, CLUSA sent, in July/August 2001, a team to Angola to visit pre-selected potential areas in order to collect information needed for writing the requested project proposal describing its approach to rural group enterprises and agricultural marketing in Angola (RGE/AMOA.

A cooperative agreement was signed granting CLUSA $3,997,706 to implement a four-year program starting officially on October 31, 2001. Considering the existing atmosphere of uncertainty, the agreement contemplated an initial six-month installation and setting up phase going from November 2001 to April 2002, period market by the last phase of the civil war ended with a peace treaty signed in April 4, 2002. During this phase, major activities undertaken were:

- Prepared and submitted paper work to register CLUSA in Angola;
- Negotiated and signed partnership agreement with the Institute for Agrarian Development (IDA) of the Ministry of Agricultural and Rural Development (MINADER);
- Conducted a study to selected intervention areas and a market survey of fruits, vegetables and grains in Luanda/Bengo and Huila provinces;
- Recruited, trained and oriented local administrative and technical staff;
- Prepared and submitted the first year implementation plan.

Field operations started in May 2002 with pilot interventions in selected locations of Bengo and Huila provinces where, despite relative security and farmers experience in producing for the market, most of smallholders lacked irrigation equipment such as water pumps and pipes, good-quality seeds, fertilizers and pesticides at affordable prices to produce high value crops that include banana, Irish potatoes, onions, garlic, carrots and cabbage, identified during the market survey.

After the first year of field operations in Bengo and Huila, the program was expanded to well known food basket areas in the municipalities of Caconda and Caluquembe in the North of Huila; Ganda and Bocoio in Benguela and Amboim in Kwanza Sul. Despite their high agricultural potentials for producing rain fed maize, beans and groundnuts, as well as irrigated crops such as Irish potatoes, onions and garlic, not to mention coffee, banana and pineapple, those were the areas directly affected by the war with bad road access, land mines and few visible production activities before the 2003/4 agricultural season. CLUSA intervention strategies in these areas started by complementing the work of humanitarian organizations (those engaged in distributing food, medicine and essential household utilities) with basic extension, rehabilitation of dams and irrigation channels, group animation and formation, and assistance in creating and functioning of revolving loan funds for seeds and animals for traction in an effort to initiate development activities in post-war emergency ambiance.

III. Goals, Purpose and Objectives:

In accordance with the USAID/Angola's Strategic Objective 1 and intermediate result IR 5.2: «High value crops produced and marketed more effectively», the stated goal and purpose of the RGE/AMOA program was to increase the food security and income of small scale farmers in targeted communities by increasing the effectiveness of agricultural production and marketing.

Specific program objectives were:

- To develop a sustainable approach to rural group enterprise and agriculture

business development adapted to the Angolan context;

- To promote and support a network of democratic producer-owned and controlled rural group enterprises at the primary and secondary levels with the skills and knowledge to identify, initiate and manage agriculture production, processing and marketing activities;
- To create a more diverse and wider range of marketing and business opportunities available to the small scale producers;
- To ensure the transfer of appropriate progressive technologies to small-scale producers and agribusiness;
- To assist the long-term institutionalization of the program by building the capacities of individuals and groups to develop the organizational management and training skills necessary to continue the program's services after its completion.

IV. Funding:

Total funding for implementing the RGE/AMOA program was established at $ 3,998,000 to be spent from October 31, 2001 to December 15, 2005. This grant covered operational expenses related to the installation of CLUSA in Angola, staff salaries and benefits, office spaces and equipment, cars and motorcycles, enterprise development fund used as bank guarantees and direct credits to farmer groups, backstopping, among other eligible expenses to prepare, implement and monitor program activities in four provinces: Luanda/Bengo, Huila, Benguela and Kwanza Sul.

Additional funds were leveraged to support production and marketing activities in the targeted communities, namely:

- $600,000 from USAID/OFDA for agriculture recovery in the North of Huila;
- $150,000 from the International Fund for Agriculture Development (IFAD) to start ($100,000) and follow up ($50,000) an agricultural micro credit in the Amboim municipality , Kwanza Sul province, in partnership with Banco Keve;
- $378,000 from the Dutch NGO NOVIB (The Netherlands OXFAM) to support the consolidation and continuation of activities in the Huila province after the RGE/AMOA terminates;
- $145,000 from BP Angola and
- $124,000 from European Union to implement an irrigation project in Mabúia, Bengo province;
- $78,000 from the Dutch NGO ICCO – The Inter ecclesiastic Organization for Cooperation and Development – to ensure the continuation of CLUSA-initiated activities in Bengo through an Angolan NGO, the Angolan Association for Adult Education (AAEA) that received the fund directly;
- $50,000 from the USAID-funded International Institute for Tropical Agriculture (IITA) to promote cassava production, processing and marketing in the Locality of Quengueia North, in the Luanda province.

In addition to the above mentioned financial resources mobilized during the program implementation, $746,000 of loan funds were raised from two Angolan private banks

($500,000 from Banco Sol and $246,000 from Banco Keve) mostly used from April 2003 to December 2005 to provide medium and short terms loans to farmer solidarity groups and cooperative service centers to purchase irrigation water pumps and pipes, horticultural seeds, fertilizers and pesticides. Furthermore, a number of input suppliers provided short term and consignment credits to producer organizations assisted by CLUSA as part of the implementation of the RGE/AMOA program.

V. Intervention Areas and Number of Clients Assisted:

The study of geographic locations, conducted with the support from an Angolan consulting company, recommended secure areas with reasonable access to market and irrigated fields suitable for producing off-season and in-season crops identified during the market research, oriented by an expatriated horticulture specialist. As a result, following were the pilot intervention areas for the first year of the program implementation:

- Municipalities of Humpata and Chibia in the South of Huila;
- Four localities (Dungo/Catete, Ongazanga, Mabúia/Cabiri and Boa Esperança Caxito) in Bengo province.

These intervention areas were chosen because they were more secure than other regions of the country, therefore, safe for implementing development activities. In addition, farmers had access to irrigation water sources to produce fruits and vegetables that they could sell to the cities of Lubango, Lobito/Benguela and Luanda using a fairly workable roads and transportation network.

In the second year of implementation, the program was expanded to other production areas of, mainly, rain fed maize, beans and groundnuts, in the municipalities of:

- Caconda and Caluquembe in the North of Huila;
- Ganda and Bocoio in Benguela;
- Amboim in the province of Kwanza Sul;
- The Locality of Quenguela North in the Luanda province.

Interventions in Quenguela North, in the province of Luanda, were terminated when funds channeled through IITA ended. CLUSA-supported field operations in Benguela (Municipalities of Bocoio and Ganda) were interrupted at the end of 2004 and beginning of 2005 due to lack of funds to support field operations in four provinces. To ensure continuity of CLUSA initiated activities, negotiations were undertaken with the German ONG for Agrarian Action (AAA) for Bocoio and with the Catholic Relief Services (CRS) for Ganda. AAA employed a former CLUSA field adviser to continue providing extension and marketing services to farmers' organizations in Bocoio and Balombo. CRS extension agents were trained by CLUSA staff to deliver similar types of services to farmer groups and associations able to produce and market surplus products, as well as distribute inputs and basic consumption goods though the model of cooperative service centers, borrowed from CLUSA. With the redeployment of staff from Benguela to Amboim, Kwanza Sul, CLUSA could concentrate resources in three provinces: Bengo, Huila and Kwanza Sul.

Table below presents the total number of producers assisted, compared with the end of program targets.

Table N° 1: Producers assisted by the end of program on December 2005						
INDICATORS	PROGRESSION BY YEAR AND PERCENTAGE OF ACOMPLISHMENT					
	2002	2003	2004	2005	*EOP GOAL*	%
Producers assisted	*2.726*	*5224*	*9238*	*9238*	*9000*	**103%**
Men	*2.275*	*4053*	*7396*	*7396*	*7200*	**103%**
Women	*349*	*440*	*1842*	*1842*	*1800*	**102%**
Producers organized in groups	*380*	*4795*	*7017*	*7583*	*9000*	**82%**
Groups formed	*76*	*277*	*572*	*623*	*300*	**208%**
Animators	*0*	*84*	*194*	*202*	*600*	**34%**
Group Leaders	*138*	*277*	*575*	*623*	*300*	**208%**
Existing Associations/Coops	*2*	*8*	*45*	*45*	*10*	**450%**
New Cooperatives/ Service centers	*0*	*4*	*14*	*14*	*30*	**47%**
Companies doing businesses with farmer groups				*23*	*20*	**115%**

This table illustrates that RGE/AMOA targets were met in terms of producers assisted broken into men and women, number of solidarity groups, existing associations/cooperatives assisted and group leaders formed.

The unmet target of number of animators selected and trained (34 % of the target) was due to the fact that locals resisted working on a voluntary basis to prepare and organize meetings and training sessions, select borrowers, and monitor the uses and reimbursement of loans. In addition, not all members of cooperatives and associations were organized into solidarity groups, the reason why only 82% of assisted producers belong to these basic informal structures normally created to access bank loans and/or extension services.

The lack of performance in creating new cooperatives (47% of the target) is justified by the non existence of the Cooperative Law in post-independent Angola making it very difficult to register this model of farmer organizations. For instance, 50 smallholders created and legalized one agricultural cooperative in Bengo in 2002 at high cost of $7,500 and the entire process took 2 years to be completed. For that reason, CLUSA started field operations by focusing on the organization of informal solidarity groups and, in 2004 and 2005, it developed, in cooperation with the Institute for Agrarian Development, a joint strategy aimed at creating an enabling legal and administrative environment for the creation and legalization of cooperatives. Consequently, by the end of the program, 4 new cooperatives were created and legalized (3 in Bengo and 1 in Huila). Therefore, among 14 cooperative service centers assisted, there are 6 legalized cooperatives, two of which came to being before CLUSA intervention in Angola.

Table N° 2 shows the distribution of farmer clients assisted by CLUSA per irrigated and rain fed areas of agricultural production.

Table N° 2: Producers assisted per province and by irrigated and rain fed areas

	IRRIGATED	RAIN FED	TOTAL	PERCENTAGE
LUANDA	0	600	600	6%
BENGO	701	0	701	8%
BENGUELA	0	1806	1,806	19%
HUILA	385	4346	4,731	52%
KWANZA SUL	600	800	1,400	15%
TOTAL	**1,686**	**7,552**	**9,238**	100%
PERCENTAGE	18%	82%	100%	

1,686 (18%) small and medium size farmers assisted by CLUSA had access to irrigation systems by gravity and/or by pumping water from rivers or lakes. They cultivated from ½ to 5 hectares each a variety of fruits (banana, pineapple, mango and lemon) and vegetables (Irish potato, onion, cabbage, tomatoes, green pepper and carrot). Almost all producers who possessed irrigation schemes had access to in kind loans in horticultural seeds, fertilizers, pesticides and irrigation equipment given by private banks (Banco Sol and Banco Keve), CLUSA-run credit fund and input suppliers. For that purpose, they had to organize themselves into solidarity groups of 5 members, on average. To access bank loans, solidarity groups needed to have their constitution acts recognized by the Notary. In the second phase of producer organizations under RGE/AMOA program, service centers were created to link farmer groups to input suppliers and, whenever possible, with buyers of fresh agricultural products.

7,552 farmers assisted by CLUSA (82%) cultivated rain fed crops such as maize, beans and groundnuts, in addition to cassava and sweet potatoes. The majority of these farmers were organized into groups of 20 to 25 members each and received assistance in the following domains:

- Access to seeds and animals for traction through the creation of «seed banks» and revolving loan scheme in oxen (North of Huila);
- Technical assistance to production that included training in conservation farming in Benguela and North of Huila and dissemination of best practices in cassava production, processing and marketing in Quenguela, Luanda province;
- Organize service centers to sell inputs and market grains (maize and beans) in Huila, Kwanza Sul and Benguela;
- Audiovisual animation and pilot literacy training in the North of Huila:;
- Collection and dissemination of market information through weekly radio programs and monthly price bulletins (all areas).

VI. Intervention Strategies and Approach:

CLUSA developed and adapted to the Angolan context its key intervention strategy of recruiting, training and orienting local technicians to provide ongoing services to small and medium size farmers in cooperative development, production and marketing. To ensure continuity after the program termination, CLUSA encouraged and supported its former employees in charge of operations in the Huila province to create and legalize an impendent service provider organization named as AGROMARKET.

Under its local capacity and institutional building approach to producer organizations and market linkages, CLUSA trained more than 30 Angolan trainers including its field advisers and extension agents working for IDA and partner NGO's such as AAA and CRS. Structured courses were organized namely in the following domains:

- Basic intervention techniques that include active communications, group animation and formation, self-analysis, criteria and process for establishing priorities;
- Market research, feasibility analysis and business planning;
- Organization and legalization of producer organizations including recognized solidarity groups, registered farmer associations and/or service cooperatives;
- Bookkeeping and management of agribusiness activities;
- Preparation and submission of credit applications, savings and mutual loan funds;
- Collection and dissemination of market information and promotion of linkages among farmer organizations, banks and agribusinesses.

In addition to internal courses and seminars, CLUSA organized a number of short and medium term consulting assignments involving Angolan and foreign specialists who provided assistance to cadres, producers and group leaders in conservation farming, safe uses of pesticides, horticulture production and post-harvest handling, potato seed multiplication, irrigation systems, adult education and literacy, logical framework, criteria and indicators for evaluating savings and micro credit activities.

VII. Program Achievements:

1. Increased the effectiveness of agricultural production and market access among rural targeted communities:

Table n° 3 presents estimates of total sales of high value crops produced by CLUSA clients in irrigated areas of Bengo, Huila and Kwanza Sul in **2003 ($635,400)**, **2004 ($4,876,898)** and **2005 ($5,634,594)**. A jump in production and sales from 2003 to 2004 was due to, essentially: i) Number of producers increased from approximately 500 to 1,372; ii) area cultivated per producer raised from 0,5 to 0,9 hectare; iii) Yield of key high value crops such as Irish potato in Huila and onions and cabbages in Bengo augmented significantly.

Table N° 3: Estimates of production and Sales of agricultural products by CLUSA clients in irrigated areas						
	Year 2002/3		Year 2003/4		Year 2004/5	
Crops	N° of Producers	Sales in US$	N° of Producers	Sales in US$	N° of Producers	Sales in US$
Onion	60	172.800	210	1.134.000	210	1.304.100
Cabbage	50	157.500	304	1.250.578	408	1.997.568
Tomatoes	34	76.500	234	515.686	296	466.199
Green pepper	55	34.650	142	102.240	163	92.421
Potatoes	110	85.950	343	1.406.808	364	1.277.640
Carrot	20	32.400	81	131.220	81	131.220
Fresh maize	120	21.600	177	28.674	219	39.420
Others	200	54.000	379	307.692	483	326.025
Total	**649**	**635.400**	**1870**	**4.876.898**	**2224**	**5.634.594**

Increases in production and sales of irrigated crops were made possible by facilitating small farmers' access to loans for irrigation equipment and inputs, transference of best agricultural practices and dissemination of marketing information. Taking the estimates of sales in 2005, the gross income per producer was $4,107 ($5,634,594/1,372)[3]. Considering the average cost of production at 50% of salves, net income per assisted farmer was approximately $2,053.

Table N° 4 summarizes estimates in production and sales in rain fed areas of northern municipalities of Caconda and Caluquembe, in the Huila province, where the agricultural season of 2004/5 was considered, for the first time in peace situation, significant.

Table N° 4: Estimates of production and Sales in Rain Fed Areas (Huila) in 2004/5							
Crops	N° producers	Production in tons	Self consum -ption in tons	Available for Sales in tons	Unit price in US$	Sales in $US	Available per producer
Maize	4346	4.563	3.476	1.086	0,13	141,245	0,25
Beans	4346	652	198	454	0,38	172,415	0,10
Total		**5.215**	**3.675**	**1.540**		**313,660**	**0,35**

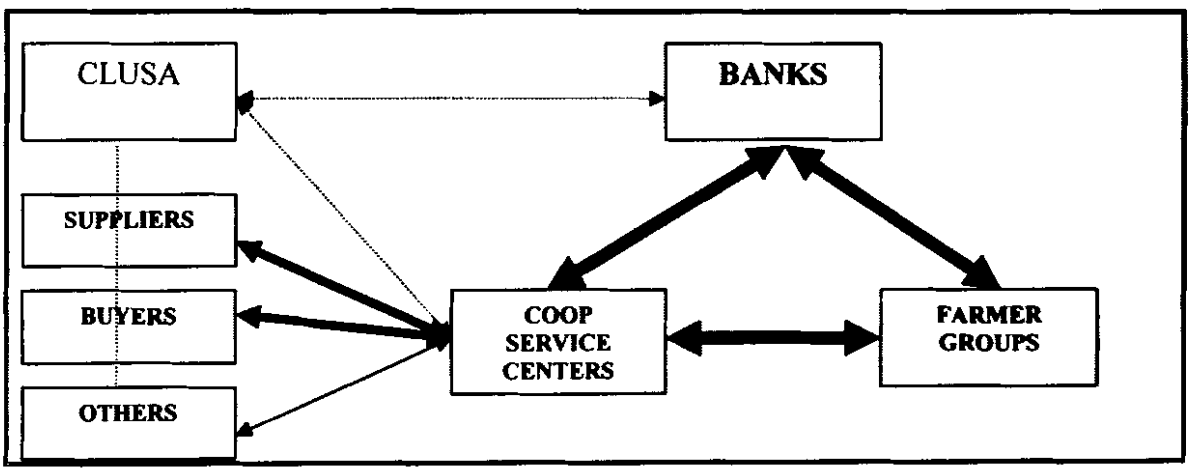
On average, each producer cultivates 1.5 hectares of maize and 0,5 hectare of beans and other staple food products like peanuts, sweet potato and various horticultures. With access to improved seeds, basic extension service and animal traction, small size farmers

[3] The number of producers considered for estimating total production and sales in 2005 (1,372) is less than the total assisted by CLUSA in the same year (**1,686**) since 314 new clients only received services in group formation and cooperative education, formation and legalization, particularly in Bengo areas.

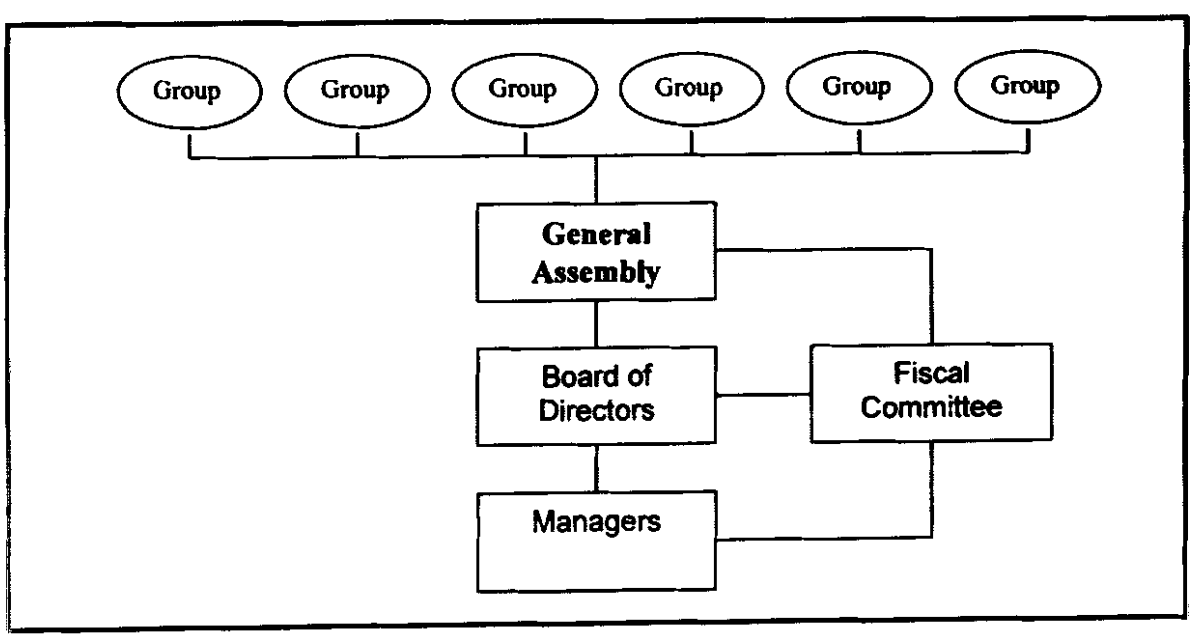
in those areas managed to produce surpluses of 250 kilos of maize and 100 kilos of beans. These numbers showed how fragile is the food security situation in rain fed areas.

2. **Sustainable approach to rural group enterprise and agriculture business development adapted to the Angolan context:**

CLUSA Angola intervention approach to producer organizations and market linkages is presented in following figure linking farmer solidarity groups to their respective service centers, banks and agribusinesses, among other agricultural-related institutions.



This model has been improved by encouraging the involvement of local traders in the management of input stores, transportation and marketing of agricultural products. The box below presents the basic structure of a service cooperative as business entity whose members can decide to create and manage input stores, primary collection, processing and marketing of agricultural commodities, extension, land titling and preparation, adult literacy, HIV/AIDS awareness, among other economic, social and cultural activities.



The box below describes stories on the RGE/AMOA intervention strategies and approach to producer organizations and market linkages.

Stories on the RGE/AMOA intervention strategies and approach

During the implementation of the RGE/AMOA program, CLUSA assisted farmer solidarity groups and their respective cooperative service centers to access bank loans for irrigation equipment and inputs. 14 cooperative service centers were established in the provinces of Bengo, Huila and Kwanza Sul, among which 6 are legalized cooperatives. Most of these service centers run input stores that sold agricultural inputs equipment, which they could get from input suppliers on short-term credit and/or consignment. Usually, input stores are located at the village centers to prevent farmer clients to travel more than 1 km to purchase goods sold at competitive prices, compared with what farmers would pay to acquire them towns.

To enable farmer clients to access bank loans, CLUSA established with Banco Sol and Banco Keve micro lending agreements for which it contributed with guarantee funds to share the risk of loan default. With Banco Sol, for a credit fund of $500,000, the guarantee fund was $25,000 (5%); With Banco Keve, for a loan ceiling of $246,000, the guarantee fund was $82,000 (33%). By December 2005, banks made over $700,000 of loans to farmer groups and cooperatives and the repayment rate was, in some cases, over 90 %. However, in Luanda and Lubango, CLUSA experienced lack of repaying loans on time. Since loans were disbursed in kind and not in cash, some farmers used crop failure as an excuse for being late in repaying loans. As a result, CLUSA discussed with its partner banks new lending approach based on savings, cash loans to meet family needs, requirement of collaterals and a more visible «bank faces» in selecting borrowers and loan recovery.

In addition to the facilitation of bank loans and suppliers' credits, CLUSA assisted farmer clients in forming solidarity groups, constituting and legalizing cooperatives, collecting and disseminating market information, promoting linkages with input suppliers and buyers of agricultural products, preparing and submitting loan applications and monitoring loan repayment. In the last year of the program implementation, some input stores were «privatized» meaning that local traders were selected, on a competitive basis, to run input stores paying rents for using cooperative facilities and agreeing to supply inputs and basic consumption goods at reasonable prices. This new approach is consistent with lessons learned on the cost & benefits of collective management of input stores

3. Network of democratically producer own and controlled rural group enterprises operating:

A network of approximately 500 solidarity groups and 14 cooperative service centers were assisted by the end of RGE/AMOA program representing more than 9,000 small and medium size farmers. Over 800 group and cooperative animators, leaders and

managers received training in group animation and formation, preparing and facilitating general meetings for consensus building, simple business plans, bookkeeping and business management, revolving loan fund, negations with banks, and suppliers of inputs and buyers of agricultural products. A set of training materials in Portuguese were prepared and tested covering the above mentioned areas with particular emphasis of:

- Constitution acts based on which farmer solidarity groups can be recognized by the Notary and, therefore, enabled to sign biding contracts with banks;
- Loan application forms and contracts;
- Models of statutes for agricultural service cooperatives;
- Organization, bookkeeping and management of cooperative input stores;
- Organization and management of revolving loan funds;
- Guide for collecting and disseminating market information;
- Manual on the correct uses of pesticides;
- Adult literacy and numeracy.

4. Range of marketing and business opportunities and services available to the small scale producers:

Organized farmers assisted by the program staff were effectively assisted to establish and maintain on going commercial relations with suppliers of inputs and basic consumption goods based in Luanda, Lobito/Benguela and Lubango, Huila province. The publication of monthly bulletins and weekly radio programs disseminating the availability and prices of goods and services needed for production and consumption contributed to the increase of marketing and business opportunities to producer organizations. Effectively, most of cooperative centers became capable of identifying their members' needs and buying power and could, by the end of the program, procure services of tractors for land preparation, bank loans and suppliers credit for inputs, as well as buyers for surplus products.

Table n° 5 presents total sales of production inputs bought and sold by 6 cooperative service centers located in Bengo (4), Gabela (1) and Palanca (1) by the end of 2005.

Table N° 5: Sales of Agricultural Inputs and other Goods by Rural Service Centers

Location	Total cumulative in June 05	Quarter July – September 05	Total Cumulative in December 05
Gabela	175,274.11	5,532.61	180,806.72
Boa Esperança	33,511.49	3,772.61	37,284.10
Mabúia	56,853.54	7,637.44	64,490.98
Dungo	29,721.77	10,401.34	40,123.11
Ongazanga	39,602.00	7,424.67	47,026.67
Palanca	149,145.19	0	149,145.19
Total	**484,108.10**	**34,768.67**	**518,876.77**

Most of those sales derived from short term credit and consignment supplies by agribusinesses to cooperative service centers, in addition to bank loans.

Table n° 6 summarizes loans by types from different sources (banks, input suppliers, CLUSA and others) benefiting 12.748 beneficiaries that are higher than numbers of farmers assisted due to the fact that same producers received more than one loan of different type and source.

Table N° 6. Credit facilitated by CLUSA by December 2005					
Designation	Beneficiaries			Credit value (USD)	%
	Men	Women	Total		
1. Purpose					
Land preparation	228	13	241	19.949	1,38
Inputs	2.938	239	3.181	544.458	37,67
Equipment	449	52	505	177.970	12,31
Service Center Supply	831	252	1.083	456.648	31,60
Marketing	2.457	460	2.917	15.191	1,05
Seeds for multiplication	1.839	395	2.234	25.757	1,78
Installation of Service Centers	1.293	262	1.555	4.424	0,31
Animal traction	824	208	1.032	200.900	13,90
Total	**10.859**	**1.881**	**12.748**	**1.445.296**	**100,00**

By the end of the program, another Angolan bank, «Banco de Comércio e Industrial (BCI)», inquired about the possibility to cooperate with CLUSA in extending micro credit to producers and traders in the Bengo province, to start with. Banco Sol expanded to Huila and Banco Keve expressed its desire to expand its micro lending services within Kwanza Sul and to Benguela. In addition to banks, more Angolan registered agribusinesses and companies related to cotton, banana grains seeds from the Southern African countries approached CLUSA to explore the possibility of engaging in out grower schemes with farmers in Angola increasing the range of agribusiness opportunities for producers in Angola. De fact that organized farmers, linked to input suppliers, could have access to bank loans for production and marketing activities, are considered by those companies excellent conditions for them to come in offering good-quality seeds, specialized technical assistance in production and post-harvest handling, and most important of all, give forward contracts to farmers.

5. **Core group of individuals and organizations with capacity to develop the organizational management and training skills necessary to continue the program's services after its completion established:**

The encouragement and support to the creation and legalization of a local NGO, AGROMARKET, by CLUSA former employees in Huila province is one of good example of achievement in terms of institutionalization of the program. The Agromarket team started operations in October 2005, 3 months before the termination of the RGE/AMOA program, funded by the Dutch Oxfam, NOVIB. In addition, it initiated negotiations with a number of governmental and non governmental organizations intervening in agriculture and rural development to become their implementing partners.

CLUSA Angola employed near 30 Angolans during the implementation of the RGEIAMOA program. By December 2005, all CLUSA former employees but two administrative personnel were self-employed (Agromarket) or absorbed by Banco Sol (3 staff in Huila), Luanda-based agribusinesses (2 staff) and NGO's engaged in transition from emergency relief towards agricultural and rural development activities. The core team of advisers hired by CLUSA for the transition period going from January to August 2006 has been offered jobs by private banks (ex. Banco Keve) and NGO's.

VIII. Constraints:

Major constraints to the successful implementation of the RGE/AMOA program in terms of further increased in food security, import substitution, incomes and democratic self governance were:

- Slow pace in the rehabilitation of access roads linking productive agricultural areas in the interior of Huila, Benguela and Kwanza Sul provinces to major coastal towns like Luanda, the biggest consumers of locally produced crops;

- High prices of imported means of production that, in combination with high transportation cost, made it difficult for local food products to compete with imported ones during the hot and humid season;

- Irregularly of rainfall limiting the capacity of smallholders without access to irrigation systems to ensure food self-sufficiency and to produce surplus products for the market;

- Legacy of emergency relief practices and bad credit histories from the war time contributing to the lack of culture of paying on time loans;

- High level of illiteracy among adult women, in particular, which combined with a male-dominant traditional heritage, limited the access of female producers to irrigated lands, bank loans, leadership and management of producer organizations;

- Lack of thrust between small size farmers and the formal economic and financial sectors, represented by supermarkets, catering companies and bans, restricting contractual relationship among important players of the production and market chain.

IX. Lessons learned:

Four years of RGE/AMOA implementation in the post-war context of Angola led CLUSA advisers to learn a few key lessons derived from our involvement with: i) Input stores collectively managed by cooperative service centers; and ii) Credit intermediation involving producer organizations, banks and suppliers.

1. Lessons learned on collective management of input stores:

Collective management of stores by farmers may not be cost-effective and durable since, in most cases, cooperative members and leaders assumed that they have rights tc access goods at subsidized prices and on credit. In addition, frequently stores' s working capital and profits are used to cover cost of social, cultural and political activities impeding them from reimbursing loans to their creditors. Even in the presence of a good-quality of outside technical assistance, it is unlikely that members of the cooperative board and fiscal committee will ensure, on a voluntary basis, the compliance of sound management practices by paid managers who, over time, tend to establish their own private businesses instead of being cooperative employees. For all the reasons above explained, we came to the conclusion that collective ownership and management of stores, among other facilities such as tractors, trucks and grinding mills, seldom can compete with individual and/or family ownership and management; In conclusion, we came to the pragmatic view that commerce should be done by traders, as transportation should be left to transporters and agriculture to farmers.

2. Lessons learned on in kind loans:

In kind loans for agricultural production, particularly those for seeds, fertilizers and pesticides, are risky in that farmers and technicians working for governmental and non governmental institutions usually understand that the repaying of loans should be done with the sales of subsequent harvest. Therefore, if crop failure occurs and any other negative effects on agriculture such as low prices of commodities, beneficiaries of in-kind loans use those negative elements as arguments for not paying or, which is less damaging, renegotiating loan terms. Therefore, to improve rural micro credit in the future, CLUSA started discussions its implementing partners and clients to substitute in-kind loans by cash loans whenever possible. Other elements of the new micro lending approach should include:

- The requirement of individual savings and appropriate collaterals as defined by agreements between producer organizations and banks as conditions to access loans;
- The adaptation of urban micro finance to the rural lending translated into cash loans at higher interest rates and weekly or monthly repayment without grace period;
- The presence of «bank faces» in evaluating risks, approving and recovering loans;
- Minimal outside technical assistance and reliance on cooperative internal decisions and self-management regarding the selection of borrowers, definition of loans amounts, interest rates and payment terms with incentives to leaders and managers based on loans recovered and profits accrued from interest rates.